

L. Payment Adjustment Program for 1997-98 Payment Adjustment Year

With respect to the 1997-98 payment adjustment year, the program shall proceed in conformance with the provisions of other applicable Sections of this Attachment, except as set forth below.

1. Special Supplemental Payment Adjustments - September 30, 1997.
 - a. Each eligible hospital that meets the requirements of this subsection and that remains in operation as of September 30, 1997, also shall be eligible to receive a special supplemental payment adjustment, which shall be payable as a result of the facility being a disproportionate share hospital in operation as of that date. For purposes of federal medicaid rules, including Section 447.297(d) of Title 42 of the Code of Federal Regulations, the special supplemental payment adjustments shall be applicable to the federal fiscal year that ends on September 30, 1997.
 - b. The availability of special supplemental payment adjustments under this subsection shall be determined as follows:
 - (1) The final maximum state disproportionate share hospital allotment for California under the provisions of applicable federal medicaid rules shall be identified for the 1997 federal fiscal year.
 - (2) The total amount of all per diem payment adjustment amounts and supplemental payment adjustments under this Attachment (exclusive of any payments under this subsection) applicable to the 1997 federal fiscal year, whether paid or payable, shall be determined. The applicability of per diem payment adjustment amounts and supplemental payment adjustments of all types to the 1997 federal fiscal year shall be determined in accordance with federal medicaid rules, including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.

- (3) The figure determined under subparagraph (2) shall be subtracted from the figure identified under subparagraph (1). If the remainder is a positive figure, special supplemental payment adjustments shall be made under this subsection in accordance with paragraphs c. through f. The positive remainder shall be the maximum amount of special supplemental payment adjustments under this subsection.
- c. For purposes of these special supplemental payment adjustments, only hospitals that can be categorized into either of the two groups specified in subparagraphs (1) and (2) below shall be eligible to receive the supplemental payment adjustments, and no hospital may qualify for more than one of the two groups. The following groups of hospitals shall be recognized:
- (1) "Public hospitals," which shall include all eligible hospitals that meet the definition of a public hospital based on the hospital's circumstances as of July 1, 1997.
- (2) "Nonpublic hospitals," which shall include all eligible hospitals that meet the definition of a nonpublic hospital based on the hospital's circumstances as of July 1, 1997.
- d. The amount determined to be the maximum amount of special supplemental payment adjustments under subparagraph (3) of paragraph b. shall first be allocated between the two groups of hospitals referred to in paragraph c. as follows:
- (1) "Public hospitals": 74.885 percent of the maximum amount.
- (2) "Nonpublic hospitals": 25.115 percent of the maximum amount.
- e. The amount of funds allocated pursuant to paragraph d. to each of the particular groups of hospitals referred to in paragraphs c. and d. shall then be distributed as special supplemental payment adjustments among the eligible hospitals within each of the two particular groups as follows:

- (1) The department shall compute the projected total payment adjustment amounts for all eligible hospitals for the 1997-98 payment adjustment year, exclusive of any supplemental payments under this subsection or subsection 3. or subsection 4., by determining for each eligible hospital its total per diem composite amount and multiplying that figure by 80 percent of the hospital's annualized Medi-Cal inpatient paid days. For purposes of this clause, the determinations shall be without regard to the OBRA 1993 payment limitations.
- (2) The amount computed under subparagraph (1) for each hospital described in paragraph c. shall be compared to the amount that is the product of multiplying 0.95 times the OBRA 1993 payment limitation that, in accordance with Section J. (including the modifications arising from the implementation of Section 4721(e) of the federal Balanced Budget Act of 1997), the department has computed for the particular hospital for the 1997-98 payment adjustment year.
- (3) Where the amount computed under subparagraph (1) for the particular hospital is equal to or exceeds the product computed for the hospital under subparagraph (2), the hospital shall not receive a special supplemental payment adjustment. Data regarding hospitals that have reached this limitation shall not be used for purposes of subparagraphs (5) through (8).
- (4) Where the amount computed under subparagraph (1) for the particular hospital is less than the product computed for the hospital under subparagraph (2), the amount computed under subparagraph (1) for the hospital shall be used for purposes of subparagraphs (5) through (8).
- (5) The figures determined under subparagraph (4) for each hospital in the particular group shall be added together to determine an aggregate total for each group.

- (6) The figures determined for each hospital under subparagraph (4) shall be divided by the aggregate total determined under subparagraph (5) for the particular group, yielding a percentage figure for each hospital.
 - (7) The percentage figure determined for each hospital under subparagraph (6) shall be applied to the maximum portion of the funds allocated to the particular group under paragraph d., to determine the hospital's pro rata share of the special supplemental payment adjustments. Except, however, in the case of a nonpublic hospital that, as of July 1, 1997, met the definition of a children's hospital, the pro rata share otherwise determined shall be multiplied by a factor of 1.09. The pro rata share for the other nonpublic hospitals shall be reduced accordingly, so that the maximum portion of the funds allocated to the nonpublic hospitals group will not be exceeded.
 - (8) In no event shall a hospital receive special supplemental payment adjustment amounts in excess of the difference between the product computed for the hospital under subparagraph (1). Any special supplemental payment adjustment amount or portion thereof, that otherwise would have been payable under this paragraph to a hospital, but that is barred by this limitation, shall be distributed on a descending pro rata basis to those hospitals within the same group.
- f. The department shall make interim and final payments of the special supplemental payment adjustments to hospitals on or before February 28, 1998.
2. Non-Supplemental Payment adjustments – October 1, 1997, through June 30, 1998.

Payment adjustments with respect to the period October 1, 1997, through June 30, 1998 (exclusive of the supplemental lump-sum payment adjustments provided for under subsection 3. and the additional supplemental lump-sum payment adjustments provided for under subsection 4.) shall be structured as set forth below.

TN #98-011
supersedes
TN #97-014

Approval Date 9/23/98 Effective Date 6/27/98

- a. The initial maximum size of the payment adjustment program for the entire 1997-98 payment adjustment year shall be set at one billion seven hundred fifty million dollars (\$1,750,000,000), exclusive of any supplemental payments under subsections 1., 3., or 4.
- b. The department shall utilize the computations made pursuant to subparagraph (1) of paragraph e. of subsection 1. of the projected total payment adjustment amounts for all eligible hospitals for the entire 1997-98 payment adjustment year, exclusive of any supplemental payments under subsections 1., 3., or 4.
- c. The computed amount referred to in paragraph b. for each hospital shall be compared to the OBRA 1993 payment limitation that, in accordance with Section J. (including the modifications arising from the implementation of Section 4721(e) of the federal Balanced Budget Act of 1997), the department has computed for the particular hospital.
- d. Where the computed amount referred to in paragraph b. for the particular hospital exceeds the OBRA 1993 payment limitation for the hospital, the amount computed under paragraph b. shall be reduced to an amount equal to the OBRA 1993 payment limitation for the particular hospital. The amount so reduced shall be used for purposes of paragraph f.
- e. Where the computed amount referred to in paragraph b. for the particular hospital is equal to or less than the OBRA 1993 payment limitation for the hospital, the computed amount referred to in paragraph b. shall be used for purposes of paragraph f.
- f. The amounts determined under paragraphs d. and e. for all eligible hospitals shall be added together, yielding an aggregate sum. The aggregate sum shall be the unadjusted projected total payment adjustment program for the entire 1997-98 payment adjustment year, exclusive of any supplemental payments under subsections 1., 3., or 4.

- g. The department shall increase or decrease the amount determined for each eligible hospital under paragraph d. or e., as applicable, by multiplying the amount by an identical percentage, yielding the hospital's tentative adjusted projected total payment adjustment amount for the entire 1997-98 payment adjustment year. The identical percentage figure to be used for this purpose shall be that percentage that is derived by dividing the amount set forth in paragraph a. by the aggregate sum determined under paragraph f. Except, however, the amount determined for a hospital under paragraphs d. or e. shall not be increased such that it would exceed the OBRA 1993 payment limitation for the hospital.
- h. The tentative adjusted projected total payment adjustment amount computed for each eligible hospital under paragraph g. shall be further adjusted as follows:
- (1) Nonpublic/Converted Hospitals.
- (a) For each eligible hospital that meets the definition of a nonpublic/converted hospital, based on its circumstances as of July 1, 1997, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a "nonpublic/converted hospital adjustment factor." The applicable adjustment factor shall be that which is necessary to result in an amount, for each such hospital, equal to the amount used for the particular hospital under paragraph f. The amount so adjusted shall be used for purposes of clause (c).
- (b) The total amount of all per diem payment adjustment amounts under this Attachment, whether paid or payable, applicable to the period July 1, 1997 through September 30, 1997, shall be determined for each hospital referred to in clause (a). The applicability of the per diem payment adjustment amounts to the period July 1, 1997 through September 30, 1997, shall be determined in accordance with federal medicaid rules, including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.

- (c) The amount determined for each hospital under clause (a) shall be reduced by the amount determined under clause (b) for the hospital. The resulting figure shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1, 1997 through June 30, 1998, which shall be paid to the hospital in accordance with paragraph i.
- (2) Nonpublic Hospitals.
 - (a) For each eligible hospital that meets the definition of a nonpublic hospital, based on its circumstances as of July 1, 1997, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a "nonpublic hospital adjustment factor." The applicable adjustment factor shall be derived as follows:
 - (i) The tentative adjusted projected total payment adjustment amounts determined under paragraph g. for each nonpublic hospital described above shall be added together.
 - (ii) The amount identified in paragraph a. shall be divided by 2.38. The resulting figure shall then be reduced by the sum of the amounts determined for all nonpublic/converted hospitals under clauses (b) and (c) of subparagraph (1).
 - (iii) The amount computed under subclause (ii) shall be divided by 2, and the result thereof further reduced by the amount of thirty-seven million five hundred thousand dollars (\$37,500,000).
 - (iv) The applicable adjustment factor shall be that ratio that results from dividing the amount derived in subclause (iii) by the amount derived in subclause (i).

- (b) The total amount of all per diem payment adjustment amounts under this Attachment, whether paid or payable, applicable to the period July 1, 1997 through September 30, 1997, shall be determined for each hospital referred to in clause (a). The applicability of the per diem payment adjustment amounts to the period July 1, 1997 through September 30, 1997, shall be determined in accordance with federal medicaid rules, including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.
 - (c) The amount determined for each hospital under clause (a) shall be reduced by the amount determined under clause (b) for the hospital. The resulting figure shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1, 1997 through June 30, 1998, which shall be paid to the hospital in accordance with paragraph i.
- (3) Public Hospitals.
- (a) For each eligible hospital that meets the definition of a public hospital, based on its circumstances as of July 1, 1997, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a "public hospital adjustment factor." The applicable adjustment factor shall be derived as follows:
 - (i) The tentative adjusted projected total payment adjustment amounts determined under paragraph g. for each public hospital described above shall be added together.
 - (ii) The amount identified in paragraph a. shall be reduced by the sum of the amounts determined for all nonpublic/converted hospitals under clauses (b) and (c) of subparagraph (1) and the sum of the amounts determined for all nonpublic hospitals under clauses (b) and (c) of subparagraph (2).

- (iii) The applicable adjustment factor shall be that ratio that results from dividing the amount derived in subclause (ii) by the amount derived in subclause (i).
- (b) The total amount of all per diem payment adjustment amounts under this Attachment, whether paid or payable, applicable to the period July 1, 1997 through September 30, 1997, shall be determined for each hospital referred to in clause (a). The applicability of the per diem payment adjustment amounts to the period July 1, 1997 through September 30, 1997, shall be determined in accordance with federal medicaid rules, including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.
- (c) The amount determined for each hospital under clause (a) shall be reduced by the amount determined under clause (b) for the hospital. The resulting figure shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1, 1997, through June 30, 1998, which shall be paid to the hospital in accordance with paragraph i.
- i. The final adjusted projected total payment adjustment amount determined for each eligible hospital for the period October 1, 1997, through June 30, 1998, shall be distributed in 16 or fewer equal installments to be paid no later than the 10th and 25th day of each month during the period October 1, 1997, through May 25, 1998.
- j. Notwithstanding any other provision of law, for the entire 1997-98 payment adjustment year, no eligible hospital shall receive total payment adjustments, including per diem payment adjustments relating to the period July 1, 1997, through September 30, 1997, payments under this subsection, and any supplemental payments under subsections 1., 3., or 4., in excess of the hospital's OBRA 1993 payment limitation as computed by the department pursuant to Section J. (including the modifications arising from the implementation of Section 4721(e) of the federal Balanced Budget Act of 1997). No hospital shall receive any special supplemental payment adjustments, supplemental lump-sum payment adjustments, or additional supplemental lump-sum payment adjustments to the extent the payments would be inconsistent with subsections 1., 3., or 4., respectively.

- k. The aggregate sum of the final adjusted projected total payment adjustment amounts computed under paragraph h. for each eligible hospital for the period October 1, 1997, through June 30, 1998, plus the aggregate sum of the amounts determined for each eligible hospital under clause (b) of subparagraph (1) of paragraph h., clause (b) of subparagraph (2) of paragraph h., and clause (b) of subparagraph (3) of paragraph h., shall be the maximum size of the payment adjustment program for the entire 1997-98 payment adjustment year, exclusive of the special supplemental payment adjustments provided for under subsection 1., the supplemental lump-sum payment adjustments provided for under subsection 3., and the additional supplemental lump-sum payment adjustments provided for under subsection 4.

3. Supplemental Lump-Sum Payment Adjustments - June 30, 1998

- a. Each eligible hospital that meets the requirements of this subsection and that remains in operation as of June 30, 1998, also shall be eligible to receive a supplemental lump-sum payment adjustment, which shall be payable as a result of the facility being a disproportionate share hospital in operation as of that date, but only if the hospital has remained in operation for the period October 1, 1997, to June 30, 1998, inclusive.
- b. The amount of supplemental lump-sum payment adjustments available to hospitals under this subsection shall be four hundred five million dollars (\$405,000,000).
- c. For purposes of these supplemental lump-sum payment adjustments, only hospitals that can be categorized into either of the two groups specified in subparagraphs (1) and (2) below shall be eligible to receive the supplemental payment adjustments, and no hospital may qualify for more than one of the two groups. The following groups of hospitals shall be recognized: